# Table of Contents

1. Chapter 1: Introduction
   1.1 Sources of External Finance
   1.2 Which is Better ï Market or Institution?
   1.3 Role of Financial System
     1.3.1 The Functional Perspective of Financial Intermediation
     1.3.2 Banks versus Markets: Risk Sharing
     1.3.3 Banks versus Markets: Information Provision
     1.3.4 Banks versus Markets Funding Innovation
     1.3.5 Banks versus Markets: Corporate Governance
     1.3.6 Banks versus Markets: Stability
   1.4 Markets versus Institutions: A Summery
   1.5 Finance-Growth Nexus: Empirical Findings
   1.6 Banks versus Markets: Empirical Findings
   1.7 Role of Stock Market in an Emerging Economy
   1.8 Reasons for Going Public
   1.9 Comments

2. Chapter 2: A Review of IPO Literature
   2.1 Introduction
   2.2 Short-Run Underpricing
     2.2.1 Asymmetric Information Models
       2.2.1A Winners' Curse Hypothesis
       2.2.1B Signaling Hypothesis
       2.2.1C Information Revelation Hypothesis (Book-Building Models)
     2.2.2 Asymmetric Information Models
       2.2.2A Stabilization Hypothesis
       2.2.2B Ownership Dispersion Hypothesis
       2.2.2C Market Incompleteness Hypothesis
       2.2.2D Legal Liability Hypothesis
       2.2.2E Regulatory Constraint Hypothesis
     2.2.3 Models Based on Irrational Investor Behaviour
     2.2.3A Cascades Effect Hypothesis
     2.2.3B Impresario Hypothesis
     2.2.3C Divergence of Opinion Hypothesis
     2.2.3D Windows of Opportunity Hypothesis
     2.2.3E Irrational Exuberance Hypothesis
   2.3 IPO Market Cycles and "Hot Issues"
   2.4 Long Run Underperformance of IPOs
3. Chapter 3: Evolution of the Market for New Issues in India

3.1 Savings in the Indian Economy
   3.1.1 The Broad Trend: 1970–2004
   3.1.2 Determinants of Saving Behaviour in India
   3.1.3 Public Saving
   3.1.4 Household Savings in Financial Assets

3.2 Sources of Industrial Finance
   3.2.1 Commercial Banks
   3.2.2 Development Finance Institutions (DFIs)
   3.2.3 Primary Capital Markets
      3.2.3A Developments in the Primary Market
      3.2.3B Data Sources and Definitional Issues
      3.2.3C Broad Trends
      3.2.3D Fluctuations in the Secondary Market
   3.2.4 Developments in the 1990s

3.3 Comments

Reference

4. Chapter 4: Underpricing of IPOs in India

4.1 Introduction
4.2 Description of the Sample
4.3 Measurement of Underpricing
4.4 Basic Characteristics of the Indian IPO Market in the Early 1990s
4.5 Underpricing in India
   4.5.1 Extent of Underpricing
   4.5.2 Underpricing of Par and Premium Issues
   4.5.3 Intertemporal Underpricing
   4.5.4 Underpricing and Size of Issues
   4.5.5 Listing Delay and Underpricing
   4.5.6 Post-Issue Holding of Promoters and Underpricing
   4.5.7 Merchant Bankers, Appraisers and Underpricing
      4.5.7A The Merchant Bankers
      4.5.7B The Appraisers
   4.6 Explaining Underpricing in India

Reference

(ii)
5. Chapter 5: Long-Run Performance of IPOs in India

5.1 IPOs Perform Poorly in the Long-Run

5.2 Methodology and Measurement Issues

5.2.1 The Standard Methodology

5.2.2 CAR versus BHAR

5.2.2A CAR versus BHAR: Investor Experience

5.2.2B CAR versus BHAR: Biases in Test Statistics

5.2.2C Simple Return versus Compounded Return

5.2.2D Value-Weighting versus Equal-Weighting

5.3 Selecting the Benchmark

5.3.1 Reference Portfolio Approach

5.3.2 Control Firm Approach

5.3.3 Market-Mimicking Model Approach

5.4 Methodology Adopted in the Study

5.4.1 Selection of Reference Portfolio

5.4.2 Selection of Control Firm

5.4.3 Fama-French Regressions

5.5 Data

5.6 Results

5.6.1 Cumulative Average Abnormal Returns (CARs)

5.6.2 Buy and Hold Abnormal Returns (BHARs)

5.6.3 Abnormal Return under CAPM and Fama-French Model

5.6.4 Overview of Long Run Performance of IPOs under Different Metrics

5.6.5 Size and Long Run Performance of IPOs

5.6.6 Long-Run Performance of Par and Premium Issues

5.6.7 Long-Run Performance and Aftermarket Liquidity

5.6.8 Long-Run Performance and the Role of Merchant Bankers & Appraisers

5.6.9 Long-Run Abnormal Performance and Ownership Retention

5.6.10 Long-Run Abnormal Performance and Initial Underpricing

5.6.11 Explaining the Investor Experience with Long-Run IPO Performance

5.7 Comments
6. Chapter 6: Conclusion

6.1 General Observations

6.2 Market for Small Stocks

6.3 Conclusion/ Policy Implications

6.4 Areas of Further Research

Reference

Appendix Tables

Table A3-1: Sector-wise Gross Domestic Savings (At current prices)

Table A3-2: Sectoral Share of Gross Domestic Savings (At current prices)

Table A3-3: Changes in Financial Assets of the Household Sector (Amount)

Table A3-4: Changes in Financial Assets of the Household Sector (Share)

Table A3-5: Major Banking Aggregates (Outstanding Amount)

Table A3-6: Credit-Deposit and Investment-Deposit Ratio (Outstanding)

Table A3-7: Distribution of Outstanding Credit of Scheduled Commercial Banks According to Occupation (Amount)

Table A3-8: Distribution of Outstanding Credit of Scheduled Commercial Banks According to Occupation (Share)

Table A3-9: Sectoral Deployment of Non-Food Gross Bank Credit (Outstanding)

Table A3-10: Share of Small, Medium and Large Industry in Non-Food Gross Bank Credit (Outstanding)

Table A3-11: Disbursements by All Financial Institutions

Table A3-12: Source of Data for Primary Market Mobilizations in India

Table A3-13: Primary Market Mobilizations in India

Table A4-1: Underpricing of IPOs Lead-Managed by Broad Categories of Merchant Bankers

Table A5-1: Size Decilewise 3-year Cumulative Abnormal Return

Table A5-2: Size Decilewise 3-year Buy-and-Hold Abnormal Return

Table A5-3: Abnormal Performance (3-Year CAR against market indices as benchmark) According to Size and Aftermarket Liquidity

Table A5-4: Abnormal Performance (3-Year BHAR against market indices) According to Size and Aftermarket Liquidity

Table A5-5: Size and Aftermarket Liquidity-wise Abnormal Performance (3-Year CAR and BHAR) Against size-matched control firm

Bibliography

Reference
Table A5-6: Abnormal Performance under CAPM Framework According to Size and Aftermarket Liquidity.

Table A5-7: Abnormal Performance under the Three-Factor Framework According to Size and Aftermarket Liquidity.

Table A5-8: Aftermarket Liquidity of Par and Premium Issues.